

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C. 20240
<http://www.blm.gov>

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Instruction Memorandum No. 2011-050
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To: State Directors

From: Assistant Director, Minerals and Realty Management

Subject: Procedures to Establish Unleased Lands Accounts on Unleased Leasable Lands within a Unit or a Communitization Agreement

Program Area: Oil and Gas Leasing.

Purpose: This Instruction Memorandum (IM) establishes guidance for a consistent, nationwide procedure between the Bureau of Land Management (BLM) and Office of Natural Resources Revenue (ONRR) for collecting royalty payments for unleased Federal minerals in a producing Secondary Unit Agreement, a unit participating area containing unleased lands, or a Communitization Agreement (CA).

Policy/Action: The policy, as outlined below, establishes procedures to determine when to establish an Unleased Lands Account (ULA) (formerly called Dummy Lease Accounts) and the Legacy Rehost 2000 System (LR2000) data standards required for the transfer of royalty information on unleased leasable Federal minerals.

Unleased Lands Account Procedures

Unleased leasable Federal minerals:

When a secondary unit, a unit participating area, or a producing CA contains unleased Federal minerals that are leasable, a ULA will be created immediately. The ULA will enable ONRR to establish a revenue account for earned royalty payments.

Fluid minerals adjudication is responsible for establishing new ULA records in LR2000. The record will be given a serial number, case type, treasury fund symbol determined by

land type, acreage, and royalty rate. Royalties will be collected and distributed based on this information. Refer to Attachment 1 for LR2000 data entry standards.

The state offices will self-nominate the unleased leasable Federal lands to be placed on the next available sale. When the unleased minerals are made available for leasing, they will be assigned a new lease serial number. At lease issuance, ONRR will begin collecting royalty payments based on the new lease serial number, and the ULA serial number will be closed. The ONRR will be notified of this action via a notice generated by fluids minerals adjudication. Refer to Attachment 2 for a sample notice.

If the unit or CA terminates before the leasable minerals become leased, the appropriate state or field office will provide fluid minerals adjudication and the ONRR with a copy of the agreement termination letter. Upon receipt of the termination letter, fluid minerals adjudication will close the ULA and update LR2000.

The BLM will request a verification of royalty payments from the ONRR when the agreement terminates. Such verification will become part of the agreement file for future reference.

Unleasable Federal minerals:

When a producing unit or CA contains a tract of unleasable Federal minerals, royalties will be collected and distributed using a negotiated Compensatory Royalty Agreement (CRA).

Notifying the Operator and ONRR of ULAs:

Follow data standards for LR2000 entry on Attachment 1. This will ensure that ULAs can be accurately queried, tracked, and verified. Fluid minerals adjudication will send the ONRR an electronic copy of the serial register page (SRP) in PDF format and a completed Accounting Advice when a ULA is created.

The appropriate office will be responsible for notifying the agreement operator by including reference to the ULA in the approval letter. The ONRR will receive a copy of the approval letter. Refer to Attachment 2 for a sample notice.

Allocation /Recapitulation Schedule in LR2000 for agreements:

The allocation/recapitulation schedule on the SRP for the agreement will be noted by the appropriate office that the ULA is an unleased lands account used for reporting purposes only.

Records Maintenance:

A serialized case file will be established and maintained at the state office. When a ULA case is closed, adhere to established record disposal guidelines. ULAs are not noted on the oil and gas plats or historical indexes.

Timeframe: This policy is effective immediately.

Budget Impact: Implementation of this policy will have minimal budget impact.

Background: Prior to September 5, 1989, the Federal government could not collect royalties for unleased Federal minerals within a producing unit because the unit agreement had no provision to do so. Based upon Interior Board of Land Appeals (IBLA) decisions stating that unleased lands must be committed to an approved unit in order to collect royalties from said unleased

Federal minerals, the model form for unitization was modified to include specific verbiage that would allow the Authorized Officer of the BLM to commit unleased lands at the time of unit approval. This commitment allows the ONRR to collect royalties for unleased minerals within a unit.

There is verbiage contained in CAs that provides the authority to establish an escrow account to collect royalties for unleased minerals until such time a lease is issued. If the minerals are not leasable, a CRA is applicable.

The number of ULAs established has increased over the past several years, therefore, it is important to establish ULAs when participating areas containing unleased lands, secondary units, and producing CAs are approved. It is also important to implement consistent procedures in maintaining BLM and ONRR records.

Manual/Handbook Sections Affected: This guidance will be incorporated into the H-3101-1 Handbook, *Issuance of Leases*, and the BLM-wide Data Entry Standards for Fluid Mineral Lease Case Types (Oil and Gas and Geothermal Resources Lease Group 31 and 32) for the Case Recordation System when they are next updated.

Coordination: This guidance was coordinated with the ONRR and the BLM Washington and state offices.

Contact: If there are any questions concerning this IM, please contact me at 202-208-4201, or your staff may contact Dave Murphy, Acting Division Chief, Division of Fluid Minerals, at 202-912-7144 or dave_murphy@blm.gov or Robyn Shoop, Senior Mineral Leasing Specialist, at 202-912-7157 or robyn_shoop@blm.gov.

Signed by:
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Authenticated by:
Robert M. Williams
Division of IRM Governance, WO-560

1 Attachment